Supreme Court, U.S.
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No. 00-1543

IN THE

Supreme Court of the United States

OCTOBER TERM, 2000

FESTO CORPORATION,

Petitioner,

v.

SHOKETSU KINZOKU KOGYO KABUSHIKI CO., LTD., A/K/A SMC CORPORATION AND SMC PNEUMATICS, INC.,

Respondents.

Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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PARTIES TO THE PROCEEDING

Pursuant to S. Ct. Rule 29.6, Petitioner, Festo Corporation states that its parent corporation is Festo AG.

There are no subsidiaries or affiliates of Festo Corporation that have issued shares to the public.

TABLE OF AUTHORITIES

Cases

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The Federal Circuit's sharply divided *en banc* opinion has profoundly altered the patent system in a way that both severely damages the value of all future innovation and retroactively destroys the settled expectations of existing patentees. More than twenty-five *amici*, representing corporations, small entrepreneurs, universities and research institutions, and practitioners of the patent bar in the United States and abroad, agree. *Festo* is consistent neither with Congress' purpose in promulgating the patent laws pursuant to the Constitutional mandate to "promote the Progress of Science and useful Arts," U.S. CONST. Art. I, §8, cl. 8, nor with this Court's prior decisions.

In response, respondent asserts that (i) the Federal Circuit's holding is limited and modest because it applies only to "narrowing" amendments; (ii) this Court should defer to the Federal Circuit's "expertise" in deciding what principles are "sensible and workable"; and (iii) this case—though meriting *en banc* review below—provides a poor vehicle for this Court's evaluation. None of these points has merit.

I.

A. The Federal Circuit's revolutionary *en banc* decision is already having a far-reaching impact on the patent system. Respondent seeks to avoid the sweep of the decision by arguing that *Festo* applies only to narrowing amendments, and that equivalents are barred only for those amended elements. This is wrong. The great majority of patent applications are amended in ways the Federal Circuit now characterizes as "narrowing."

The patent statute requires that an applicant submit claims "particularly pointing out and distinctly claiming the subject matter which [he] regards as his invention." 35 U.S.C. §112. Crafting claim language to fit the mental concept that is the invention, as Judge Linn pointed out, is inherently difficult and inexact. Patent claims, therefore, are more often than not amended to clarify the scope of the invention—sometimes voluntarily and sometimes in response to an objection from the patent examiner. (*See* App. 116a-117a). Hence, as Judge

Newman pointed out, the number of patent claims that escape amendment in the Patent Office is "vanishingly small." (App. 148a).

As many of the *amici* describe, the process of clarifying the claim has been typically handled in a non-adversarial process of negotiation between applicant and examiner. As a result of the *Festo* decision, however, patent applicants are no longer willing to agree to clarifying amendments suggested by the patent examiner for fear that such amendments will be construed literally as "narrowing." The relationship between applicant and examiner has become more adversarial, the number and back log of administrative appeals within the Patent Office will increase, and patent pendencies will drag out, significantly reducing the value of the patent because its life begins when the application is filed. In some cases the technology will become obsolete before the patent issues.[1] Smaller firms, and our nation's academic institutions—which combined account for a disproportionate share of innovation—suffer most under this regime.[2]

Respondent is wrong to say that clarifying amendments will not ordinarily be "narrowing." Amendments that clarify language or provide a more precise definition of a claim element almost always narrow the literal scope of the claim.

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[1] *See, e.g.*, Brief of *Amicus Curiae* Chamber of Commerce of the United States in Support of the Petition at 10-11; Brief of *Amicus Curiae* Minnesota Mining and Manufacturing Co. ("3M") in Support of Petition for Writ of *Certiorari* at 15-17. 3M was joined on the brief by nine other major corporations including Sun Microsystems, Dow Chemical, Johnson & Johnson, Pfizer and PPG Industries.

[2] *See* Brief of *Amicus Curiae* Intellectual Property Creators in Support of Festo's Petition for Writ of *Certiorari* at 13-17; Brief of *Amicus Curiae* Massachusetts Institute of Technology et. al. in Support of Petition for Writ of *Certioriari*. ("MIT Brief") at 9-15,17-18. MIT was joined by five other institutions including affiliates of the University of Wisconsin, the University of Texas, and the State University of New York.

An amendment which corrects an informality relating to the statutory requirement of distinct and particular claiming is made for "reasons related for patentability" as now defined by the Federal Circuit, and will create a complete bar to the doctrine of equivalents even though the applicant had no intention to surrender or abandon any part of his claim. *See, e.g., Pickholtz v. Rainbow Techs., Inc.*, 125 F. Supp. 2d 1156, 1162-63 (N.D. Cal. 2000) (statement that amendment was intended to "clarify" the claim constituted admission that it was related to patentability under 35 U.S.C. §112, and thus invoked complete bar under *Festo*, even though the applicant "subjectively believed that the original claim was identical to the amended claim.").

B. Respondent further attempts to discount the impact of *Festo* with the argument that only those elements narrowed by amendment are restricted to their literal meaning. This, too, is wrong. Patent infringement requires that each and every claim element be found in the accused device. *Forest Labs., Inc. v. Abbott Labs.*, 239 F.3d 1305, 1310 (Fed. Cir. 2001). It follows that to avoid patent infringement, an imitator need only avoid one single claim element. As the dissenters and the *amici* point out, the imitator can now easily follow the prosecution history road map and make a trivial variation in an element that was amended during prosecution. (App. 74a, 126a). Such "unimportant and insubstantial changes and substitutions" were exactly what this Court intended the doctrine of equivalents to prevent. *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 607 (1950).

C. The impact of *Festo* is especially severe due to its retroactive effect. The 1.2 million patents now in force were prosecuted under the expectation that clarifying amendments—even those that literally "narrowed" the scope of the claims—would not result in the surrender of equivalents. *See* Brief for United States as *Amicus Curiae*, 1996 WL 172221, at *22-23 (U.S. Apr. 11, 1996), filed in *Warner-Jenkinson Co. v. Hilton-Davis Chem. Co.*, 520 U.S. 17 (1997).

The holders of those patents are now rendered defenseless against imitators who have made insignificant changes to amended claim elements. *See, e.g., Lockheed Martin Corp. v. Space Sys./Loral, Inc.*, ___ F.3d ___, 2001 WL 436028, at *10-11 (Fed. Cir. Apr. 30, 2001) (applying complete bar to patent that issued in 1978); *Biovail Corp. Int'l v. Andrx Pharm., Inc.*, 239 F.3d 1297, 1303-04 (Fed. Cir. 2001) (applying complete bar to patent that issued in 1996); *Litton Sys., Inc. v. Honeywell Inc.*, 238 F.3d 1376, 1379-80 (Fed. Cir. 2001) (applying complete bar to patent that was reissued in 1979). Indeed, the Federal Circuit has gone so far as to reopen and reverse settled findings of infringement in still pending cases to ensure that *Festo* is given "full retroactive effect." *Insituform Techs., Inc. v. Cat Contracting Inc.*, 58 U.S.P.Q.2d (BNA) 1392, 1396 (Fed. Cir. 2001).

This result was surely not contemplated by *Warner-Jenkinson*, where this Court—taking heed of the views of the Solicitor General and the Patent Office—expressed reluctance to "change so substantially the rules of the game now" and thereby "subvert the various balances the PTO sought to strike when issuing the numerous patents which have not yet expired and which would be affected by our decision." 520 U.S. at 32 n.6.

II.

Respondent urges this Court to defer to the Federal Circuit's "expertise" in patent matters and to allow further "doctrinal evolution" in that court on the question of the scope of prosecution history estoppel. This argument suffers from at least four fatal flaws:

A. The Federal Circuit's expertise consists of the conclusion that *Warner-Jenkinson's* flexible bar approach is "unworkable." That conclusion rests upon a single hypothetical. We are instructed to consider "a claim that originally recited a value less than twenty that was amended to recite a value less than five in light of a rejection over prior art

disclosing a value of fifteen. What subject matter was abandoned under the flexible approach? Is the patentee limited to values that are closer to five than fifteen, or can he reach any value less than fifteen?" (App. 28a-29a). It is impossible, the *en banc* majority says, for the patentee or the public to determine the precise range of equivalents available under the flexible bar approach. To the contrary, the situation creates no ambiguity and is easily decided. Under *Warner-Jenkinson*, the patentee must prove an acceptable reason for the amendment. If so, the court can consider that reason, along with the evidence of equivalence, to decide whether or not infringement lies under the doctrine of equivalents. If not, the patentee is defeated by the *Warner-Jenkinson* presumption of estoppel.

What constitutes a fair range of equivalents in a particular patent case is a determination that the courts have been making for more than 150 years, including the nearly 20 years the Federal Circuit has been in existence. Courts have long understood that, as in many areas of the law, the particular facts and circumstances of each case must be weighed in their proper context. Until *Festo*, courts had not found this issue to be unworkable. To the contrary, it is no different from the many other areas of the law in which judges must apply law to fact.[3] *Warner-Jenkinson*'s rebuttable presumption of estoppel where

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[3] Under the Federal Circuit's reasoning, any "common law-type" doctrine would be deemed "unworkable." For example, prior to a final decision by a court, how can one determine with certainty whether a particular act will be deemed to be negligent? or an attempt to monopolize a given market? or whether a particular statement will be deemed slanderous? The answers to these questions are just as "virtually unascertainable" *a priori* as is the question of whether something is an equivalent under the patent law. Yet parties and courts tolerate this uncertainty in recognition of the fact that these areas of the law attempt to achieve a balance between competing interests. So it is in patent law. *See Control Resources, Inc., v. Delta Elecs., Inc.*, 133 F. Supp. 2d 121,123-125 (D. Mass. 2001) (criticizing the Federal Circuit in *Festo* for usurping the common law function of the district courts).

the reason for an amendment is unknown has made the judge's task easier. *Warner-Jenkinson*'s flexible bar is eminently workable.

B. *Festo* leaves no room left for "doctrinal evolution." The Federal Circuit has flatly stated that "our decision in *Festo* comprehensively and explicitly rejects . . . a 'flexible bar' approach." *Lockheed Martin*, __ F.3d at ___, 2001 WL 436028, at *11. The Federal Circuit has fully ventilated the issue of flexible bar vs. complete bar in its *en banc* decision. The cases cited *supra* demonstrate that the complete bar rule is now being applied. The broad edicts announced by the Federal Circuit have been understood to be final and to apply broadly. No other approach can develop because no other court of appeals has jurisdiction over patent cases. Respondent's call for patience to permit further percolation is futile.

C. Respondent's reliance upon the Federal Circuit's "common law" role is wholly misplaced. *Warner-Jenkinson* did not permit the Federal Circuit to re-decide the question this Court decided. That is well outside any acceptable common law process. This Court has already rejected a "bright[] line" rule that holds, *as a matter of law*, that equivalents are completely barred for amended claim elements. 520 U.S. at 32. That kind of rule would have "upset the basic assumptions" underlying prosecution of patents in the Patent Office, with profound effect on the 1.2 million patents now in force. This Court found no substantial justification for doing so. *Id.*

What this Court left to the Federal Circuit to refine—"in the orderly course of case-by-case determinations" based on "that court's sound judgment in this area of its special expertise"—was an entirely different question: What constitutes an "equivalent" of a claim element based on the "particular facts" in any given case? *Id.* at 40. That is a question involving an application of law to facts that is indeed within the Federal Circuit's expertise. *See Graver Tank*, 339 U.S. at 609 ("What constitutes equivalency must be determined

against the context of the patent, the prior art, and the particular circumstances of the case. Equivalence, in the patent law, is not the prisoner of a formula and is not an absolute to be considered in a vacuum.").

Moreover, the Federal Circuit's policy choice is flawed, in both substance and procedure. During the century and a half in which courts have applied the doctrine of equivalents, and the countervailing doctrine of prosecution history estoppel, neither Congress nor this Court has sought to alter the finely crafted balance struck between the incentives provided by patents to develop new technology and the right of "the public"—that is, competitors of the patentee—to make insubstantial modifications to the technology for use in follow-on products. The Federal Circuit attempts to impart certainty by imposing its absolute bar to equivalents. This comes at too high a price. As the *amici* point out, the *Festo* decision will have a chilling effect on investment in innovation, with detrimental effect on the public good.[4] If the balance is to be altered, that choice should be made by the legislature, fully informed after exercising its fact-finding authority and after full debate; not by an inferior court.

D. As demonstrated in the Petition, the *Festo* decision flatly contradicts *Warner-Jenkinson*. The reasons include: (i) *Festo* imposes a rigid, *per se* bar whereas *Warner-Jenkinson* rejected such a rigid bar; (ii) *Festo* eliminates the possibility of rebutting the presumption that *Warner-Jenkinson* intended to be rebuttable; (iii) *Festo* applies retroactively to patents already in force whereas *Warner-Jenkinson* intended that its new presumption not be applied in a way contrary to settled

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[4] *See, e.g.*, MIT Brief at 9-15 (noting the hundreds of billions of dollars invested in basic research, much of it public money); Brief of *Amici Curiae* Chiron Corp., Guilford Pharmaceuticals, Inc. and XOMA in Support of Petition for Writ of *Certiorari* at 7-12 (noting billions of dollars in investments made in the biotechnology industry and the "special importance" of patents in protecting those investments).

expectations; and (iv) *Festo* addresses perceived overbreadth in the application of the doctrine of equivalents through application of prosecution history estoppel as a complete bar whereas *Warner-Jenkinson* intended that such overbreadth be addressed through the All Elements Rule. (*See* Pet. at 13-24).

Respondent argues that the Federal Circuit's decision to impose an absolute bar can be reconciled with the decisions of this Court, but that is incorrect. Respondent relies on the portion of *Warner-Jenkinson* in which the Court imposed a complete bar to equivalents for unexplained amendments. If a complete bar applies where the reason for the amendment is unknown, respondent argues, logic dictates that it should apply equally where the reason is shown to be related to patentability.

But that is false logic. Had this result been intended in *Warner-Jenkinson* there would have been no reason to erect a rebuttable presumption of estoppel at all, and no reason to remand on the facts of that particular case. Given the Federal Circuit's all-encompassing definition of what amendments "relate to patentability," no conceivable situation now exists in which the presumption can be rebutted. The correct reading of this part of the opinion is that this Court understood that when the reason for amendment is known, a court is then better able to determine what scope of equivalents should fairly be granted to a patentee in the particular circumstances of a given case.

Respondent also claims that this Court's previous precedent supported a rigid rule of estoppel. If that were so, why did *Warner-Jenkinson* cite some of these same decisions in support of its rejection of the rigid rule? *See Warner-Jenkinson*, 520 U.S. at 30-31 & n.5.[5] As Judge Michel pointed out in his

[5] The Court described some of the same cases cited by respondent, *e.g.*, *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126 (1942) and *Smith v. Magic City Kennel Club, Inc.*, 282 U.S. 784 (1931), as cases where estoppel was applied to claims that were amended after they had been rejected by the Patent Office on the basis of prior art. Yet, those decisions did not support a rigid rule.

scholarly dissent, this Court's precedent cannot be read to impose a rigid rule of estoppel. (App. 74a-91a).

III.

Respondent argues that the Court should not review this case because it is a "poor vehicle" for resolution of the questions raised in the petition. In this case, respondent asserts the claims were amended to avoid prior art—a traditional basis for application of prosecution history estoppel. In point of fact, none of the amendments at issue in this case were made to avoid prior art.[6]

The *en banc* majority, seizing on the applicants' boilerplate statements that their amended claims distinguished the prior art, found that the amendments were made, in part, to avoid prior art. (App. 52a, 55a). The *en banc* majority apparently failed to realize that Patent Office rules require an applicant to explain, in virtually every amendment, why the claims in their present form distinguish the prior art then of record. *See Manual of Patent Examining Procedure* §714.04 (Rev. 1 Feb. 2000). Neither the district court nor the two three-judge panels of the Federal Circuit found that the amendments had anything to do with the prior art. The *en banc* majority's unsupported statement that prior art was the reason for the amendments cannot substitute for the missing finding of fact and does not make this case unsuitable for review. The petition, supported by the various *amici*, asks the Court to review two important questions of law underlying the doctrine of prosecution history

[6] At trial, respondent's counsel stated: "This is not really a prosecution history estoppel case." (App. 198a). Consistent with the findings of the district court, the Federal Circuit panel, in a decision authored by Judge Newman, carefully analyzed the prosecution history, and concluded that the amendments to the Stoll patent were made solely in response to rejections as to matters of form under 35 U.S.C. §112 and were intended to "clarif[y]" the nature of the patented device. (App. 185a). Similarly with respect to the Carroll patent, the panel held that the prosecution history was clear that neither Festo nor the examiner distinguished the prior art based on the relevant sealing ring limitation. (App. 175a).

estoppel. That makes this case an excellent vehicle for review of the Federal Circuit's new law.

CONCLUSION

Petitioner respectfully submits that, for the reasons stated, *certiorari* should be granted.

Respectfully submitted,

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